
EVALUATOR MANUAL TRANSMITTAL SHEET

<u>Distribution:</u> ____ All Child Care Evaluator Manual Holders ____ All Residential Care Evaluator Manual Holders <u>X</u> All Evaluator Manual Holders	<u>Transmittal No.</u> 07RM-06
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Subject:

REFERENCE MATERIAL – APPLICATION

Revisions Made To:

Section 3-0025 Guidelines for Processing Applications
Section 3-0226 Balance Sheet Supplemental Schedule (LIC 403a)
Section 3-0228 Financial Information Release and Verification (LIC 404)

Filing Instructions:

REMOVE: Pages 4 – 8 and 48 - 50

INSERT: Pages 4 – 8 and 48 - 50

Approved:

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10/31/07

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3-0025 GUIDELINES FOR PROCESSING APPLICATIONS

3-0025

The procedures contained in this section were developed to ensure statewide consistency in the processing of applications, from the point of acceptance to the approval process. These guidelines replace any current individual office practices.

Although the application process starts when an individual attends the Component I Orientation Session, the actual processing time does not begin until an application is submitted to the Regional Office. An application should be accepted or rejected by the Regional Office within five working days of receipt. The application is reviewed to ensure that all Section A and B documents have been submitted and are complete. An application should be accepted when all Section A forms and B documents have been received. However, in order to prevent unnecessary delays in the application process, an application should be accepted when all of Section A forms and no more than two B documents are missing or incomplete. The LIC 184, Notification of Incomplete Application should be sent to the applicant, outlining which B documents are incomplete or missing. This notification should be sent the same day the application is accepted. The applicant should be advised to bring the one or two missing B documents to the face-to-face interview.

Once the application is accepted, and if the application is for a residential care facility for the elderly, residential care facility for the chronically ill, adult residential facility, adult residential facility for persons with special health care needs, social rehabilitation facility, community treatment facility, transitional housing placement program or group home, a credit report is required to be obtained. Each residential Regional Office has an account with a credit bureau that allows the Licensing Program Analyst to obtain a credit report on the applicant(s). Credit Reports on individual applicants are obtained from California Credit Information Services, Inc. (CCIS) which provides us with reports from Experian. Corporate Business Reports are obtained from Commercial Credit Reports, Inc (CCR) and they are also from the Experian Credit Bureau. Corporate Business Reports should only be requested on Corporations and Limited Liability Companies (LLC) that have been in existence for at least a year. CCR will not have any information on newly formed Corporations or LLCs as they have no financial history. The Articles of Incorporation will indicate the date of incorporation. Guides for reading both the individual and corporate credit report are found on the Business and Credit Information Report - Audit Section Intranet site.

The Fair Credit Reporting Act (FCRA) is very strict regarding the usage of credit reports. **Be aware that the Community Care Licensing Division is only permitted by the Fair Credit Reporting Act to request a credit report on an individual who has signed the application, excluding corporate officers.** For corporations and LLCs, a credit report will be obtained on the corporation or LLC only (**NOT ON THE CORPORATE OFFICERS OR PRINCIPALS OF THE LLC**). If the applicant is a limited partnership, the evaluator will only request a credit report on the general partners.

It is important for users to understand their responsibility and the law with regard to credit reports. The credit report information is sensitive and to be filed in the CONFIDENTIAL information section of the facility file.

3-0025 GUIDELINES FOR PROCESSING APPLICATIONS (Continued)**3-0025**

The Fair Credit Reporting Act provides that any person who knowingly or willfully obtains information via the credit report under false pretense is subject to a fine of not more than \$5,000 or imprisonment of up to one year.

Additionally, the Community Care Licensing Division is required to provide written notice to the applicant when the denial of the application; in whole or part, is the result of information contained on their credit report. For adverse actions involving decisions about a license, the notification must include the following:

- The name, address, and toll-free telephone number of Experian that provided the report. Experian's toll free number is 888-397-3742.
- A statement that Experian did not make the adverse decision and is not able to explain why the decision was made.
- A statement setting forth the applicant's/licensee's right to obtain a free disclosure of his/her file from the credit bureau if the applicant/licensee requests the report within 60 days.
- A statement setting forth the applicant's/licensee's right to dispute directly with the credit bureau the accuracy or completeness of any information provided by the credit bureau.

In meeting the legal requirements, the "Denial of Licensure Based on your Credit Report" letter has been drafted for use in notifying the applicant/licensee that information contained on their credit report will have an adverse affect on their application/license. This "Denial of Licensure Based on Your Credit Report" letter satisfies all the pertinent terms identified above.

This letter and the "Rights" enclosure are found on pages 7 through 11 of this section and are also found on the Credit and Business Information Report - Audit Section Intranet site. The letter is called "Denial of Licensure Based on Your Credit Report".

Within ten calendar days of acceptance of the application, the face-to-face interview must be scheduled. If there are any incomplete or outstanding application forms, the applicant should be reminded to bring the documents to the face-to-face. The interview is to be conducted within 30 calendar days from the date the letter scheduling the interview is mailed to the applicant.

3-0025 GUIDELINES FOR PROCESSING APPLICATIONS (Continued)**3-0025**

Prior to the face-to-face interview, the Licensing Program Analyst should review the application thoroughly utilizing the Section A and B Guidelines. Any required verifications or research of discrepancies or concerns of the credit report should be done at this time. Key areas of concern are:

KEY AREAS TO LOOK FOR ON A CREDIT REPORT

- **Past Due Accounts:** Applicants/Licensees must bring these accounts current or provide a financial plan to correct the problem.
- **Tax Liens/Collection Accounts:** Applicants/Licensees must obtain either a release of lien from the taxing agency, present a repayment plan from the agency that indicates the applicant/licensee is cooperating and current with the plan or obtain a letter from the credit bureau or taxing agency indicating there is nothing owed.
- **Delinquent Child Support Payments:** Applicants/Licensees must deliver a proof of correction from the agency handling the child support case. All back payments must be brought current. A plan for repayment is acceptable, only if approved by the District Attorney.
- **Bankruptcies:** Applicants/Licensees must disclose the current status of the bankruptcy. The court will review the bankruptcy request and will either discharge the debts, dismiss the bankruptcy or give partial relief and establish a plan for repayment. If the debts have been discharged (relief granted) by the Chapter 7 bankruptcy, then we are only concerned with the debts that remain. If the bankruptcy court dismisses the debts in Chapter 7, then no relief was granted. If there is a Chapter 11 Reorganization Plan established by the bankruptcy court, an applicant must be current with the plan. We cannot conclude that the applicant has an adequate financial plan if the court has not decided whether to Dismiss, Discharge or Reorganize the applicant's debts. It is recommended you consult with the Audit Section if the applicant's credit report indicates there is a bankruptcy.
- **Accurate Disclosure of Debts on LIC 403a:** Ensure the information reported by the applicant on the LIC 403a includes the debts as reflected on the credit report. Typically there will be some minor differences, however, the applicant should have reported the significant liabilities (anything over \$1,000) on the 403a. Otherwise, the applicant may be providing information which could be considered to be false and misleading.

Should any discrepancies or concerns be encountered in evaluating a credit report, use one of the appropriate letters found in Section 3-0310 to set up the face-to-face. The letters are also located on the Business and Credit Information Report - Audit Section Intranet site.

The Licensing Program Analyst should outline any concerns or issues to be discussed at the interview.

3-0025 GUIDELINES FOR PROCESSING APPLICATIONS (Continued) 3-0025

The face-to-face interview is to be conducted as outlined in Section 3-0350. While the applicant is in the office, the pre-licensing visit should be scheduled. The Evaluator should also verify that the applicant is signed up for Component III.

Once the above requirements have been met and all outside clearances have been received (refer to Section 3-0295), the Licensing Program Analyst should be ready to approve or deny the application. The time frames for the entire application process should range from 45 to 90 days. In addition, there is a statutory requirement to process additional applications for existing licensees within 60 days after submission of a complete application. Any pending application that cannot be approved or denied within 90 days should be brought to the attention of the Local Unit Manager.

The following sample letter is entitled, "Denial of Licensure Based on Your Credit Report."

(Regional Office Address)

(Current Date)

(Community Care Licensing Division License Applicant Name and Address)

Dear (License Applicant)

SUBJECT: DENIAL OF LICENSURE BASED ON YOUR CREDIT REPORT

You are hereby notified that your recent application for a license with the California State Department of Social Services, Community Care Licensing Division, is denied.

A credit report for licensing purposes was obtained from Experian. Contained in that report is information which indicates you have:

- ☐ Delinquent credit accounts
- ☐ State tax liens
- ☐ Federal tax liens
- ☐ Delinquent child support payments
- ☐ Used your Social Security number inappropriately
- ☐ Other. (State Reason)

which was considered, in whole or part, as a basis for the denial.

Further, in accordance with Section 615(a) of the Fair Credit Reporting Act, we are required to provide you with the following information:

3-0025 GUIDELINES FOR PROCESSING APPLICATIONS (Continued) 3-0025

- **Experian** did not make the decision to deny your application for a license and will not be able to explain the reasons for our decision.
- You are entitled to obtain a free copy of your credit report from **Experian**, as long as a copy of the report is requested within 60 days of this notice.
- You are entitled to dispute the accuracy or completeness of any information contained on the report directly with **Experian**.
- The address and phone number for **Experian** is:

Experian
P.O. Box 9600
Allen, TX 75013
1-888-397-3742
www.experian.com

A summary of your rights under the Fair Credit Reporting Act is enclosed with this letter. Should you have any questions or concerns regarding this letter, please contact _____ at _____.

Sincerely

Enclosure

c:

3-0225 A 8b LIC 403 BALANCE SHEET (Continued)**3-0225**

- The information provided is to reflect assets and liabilities concerning all activities of the owner(s), not just those related to the operation of the facility (i.e., credit card balances, income and expenses related to other businesses).
- Figures must be “Realistic.”
- If the applicant is the sole owner, real estate listed should indicate both the purchase price and the market value of property. If the applicant is a partnership or corporation, the cost of the real estate should be indicated not the appraised value.
- On site furnishings and equipment listed should indicate the market value.
- Only cash and cash equivalents should be considered for meeting the three month start-up funds requirement. Cash equivalents are those assets which are readily converted to cash in one week or less.
- Not required for small family homes, foster family homes and certified family homes.

3-0226 8.C LIC 403a - BALANCE SHEET SUPPLEMENTAL SCHEDULE 3-0226

- Make sure the form contains both the name of the preparer and the original signature of the applicant(s) (signatures cannot be photocopied).
- Instructions are found on the reverse side of form.
- This is a detailed balance sheet to be completed prior to completing the LIC 403.
- Cash in bank will be verified with the use of the LIC 404.
- Liabilities may be verified by obtaining a credit report on the applicant(s). **Review the credit report for the Key Areas discussed in Section 3-0025 of this manual.**
- The information provided is to reflect assets and liabilities concerning all activities of the owner(s), not just those related to the operation of the facility (i.e., credit card balances, income and expenses related to other businesses).
- Figures must be “Realistic.”
- If the applicant is the sole owner, real estate listed should indicate both the purchase price and the market value of property. If the applicant is a partnership or corporation, the cost of the real estate should be indicated not the appraised value.

3-0226 8.C LIC 403a - BALANCE SHEET SUPPLEMENTAL SCHEDULE 3-0226
(Continued)

- On site furnishings and equipment listed should indicate the market value.
- Only cash and cash equivalents should be considered for meeting the three month start-up funds requirement. Cash equivalents are those assets which are readily converted to cash in one week or less.
- Not required for small family homes, foster family homes and certified family homes.

3-0228 A 9 LIC 404 FINANCIAL INFORMATION RELEASE AND 3-0228
VERIFICATION

- Make sure the form contains the original signature of the applicant(s) (signatures cannot be photocopied).
- The applicant must complete Section I and return a separate form to the licensing agency for each financial institution. This includes all financial institutions handling cash for the applicant and each institution authorizing a line of credit. The line of credit should reflect the credit limit and balance available. Only verified bank balances and lines of credit from financial institutions are acceptable sources to meet start-up funds requirements.
- The licensing agency is to send this form to the financial institution. The verification must be sent by the financial institution directly to the licensing agency. The licensee cannot hand carry it.
- In lieu of an LIC 404 from the financial institution, it is acceptable for the applicant to access their account information through the internet and print out their current information to be retained by CCLD similar to the LIC 404. The printout must identify the owner of the account, the date accessed and balance available.
- Should the licensee be unable to get the financial institution to fill out the LIC 404, or should the LIC 404 not contain sufficient information to allow you to make a decision regarding the amount of funds contained in the bank account, at times it may be necessary to require the licensee to obtain a current interim statement from the bank or financial institution being used to establish start up funds. An interim statement is an official statement produced by the financial institution in between the normal statement dates. Statements are typically issued by financial institutions monthly. The owner of the account can have the institution produce this statement typically at no charge. If you have any doubt or questions about the information provided to you, consult with Audit Section.

3-0228 A 9 LIC 404 FINANCIAL INFORMATION RELEASE AND VERIFICATION (Continued)**3-0228**

- The credit check process requires certain past debts be brought current. Refer to the Key Areas of the credit report as discussed in Section 3-0025 of this manual. The source for payment of these debts must be reviewed with the applicant to determine that the start-up funds are still available.
- This information is used to verify approximately three months of operating budget (cross-reference to the estimated operating budget). The licensing agency will take into account situations such as the following:

The applicant is purchasing an already licensed and operational facility.

The portions of the start-up funds which have been spent on prepaid rent. (Start-up funds should not be consumed on renovation or repair work to facility).

Clients/children are enrolled and/or a waiting list has been established.

- A verifiable “line of credit” from a reputable financial institution is acceptable for start-up funds, if readily accessible. (i.e. Banks, savings and loans, and credit unions.) The Cash Advance Available from major credit cards is also a usable source for start up funds.
- Not required for small family homes, foster family homes and certified family homes.
- Must contain original signature(s) (signatures cannot be photocopied).

3-0230 A 9.A LIC 420 BUDGET INFORMATION**3-0230**

(To be completed by Small Family Home Applicants only).

- Must contain original signature(s) (signatures cannot be photocopied).

3-0232 A 10 LIC 500 PERSONNEL REPORT**3-0232**

(Separate form is required for each day care component.)

- All positions are to be shown on this form with days and hours on duty. Make sure there is the required staff coverage for all hours of operation.
- Director/Administrator and any teachers/staff hired at the time of application should be on the form. Other positions with staff not yet hired must be listed as “to be hired” and designated by position title.
- Estimate the cost of staffing the facility from this form and compare the estimate with the salaries and wages shown on the LIC 401.